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State Department review completed

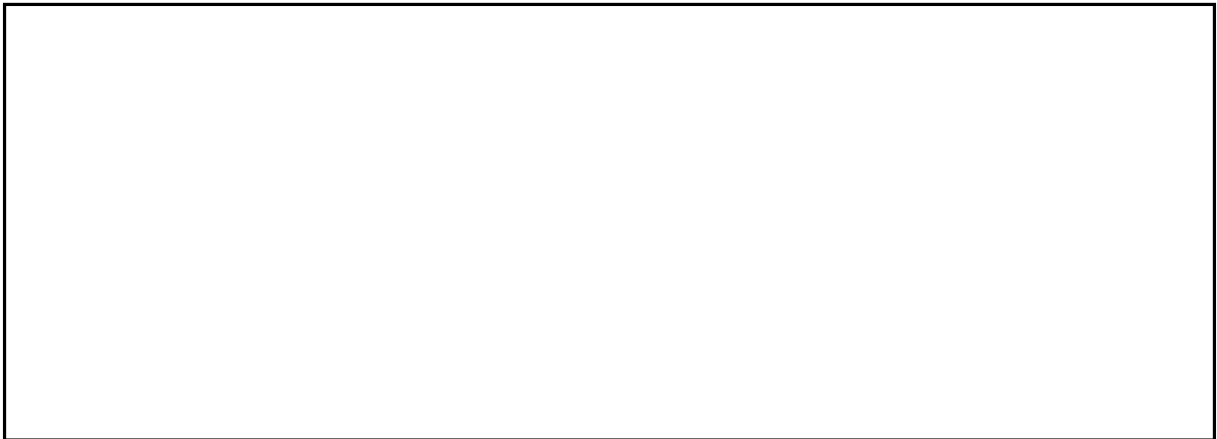
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5. Indian official foresees no recognition for Vietnam:

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Indian Consul General Kamath, during a farewell call on American Minister Heath in Saigon, discounted the possibility of Vietnam being recognized soon by India. He believed such

an action would not only unnecessarily link India with one side in the "cold war" but align it with "dubious" French and Vietnamese political elements.

SOUTH ASIA

6. High Indian official advocates partition of Kashmir:

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In two recent conversations with American Ambassador Bowles, Secretary General Bajpai of the Indian Ministry of External Affairs expressed his conviction that further discussions between

India and Pakistan on Kashmir would be useless unless the subject of partition could be raised. Bajpai stated that the Indian Government has not fully considered its position on the partition question. He thought, however, that if an agreement on Kashmir were ever to be reached, it would have to be based on partition with a plebiscite only in the most densely settled portion of the state.

Comment: Indications are that the Indian Government, anxious to avoid the onus of terminating negotiations but uncertain of its ability to maintain its stand on the number of troops to be kept in Kashmir, is attempting to postpone discussions or to turn them into a new channel.

WESTERN EUROPE

7. Austrian conservatives may file strong protest against American interference:

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Austrian Foreign Minister Gruber reportedly contemplates strong protests to the US Government regarding the public release of an American

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report on restrictive business practices in Austria. Gruber allegedly connects the release of the report with the current investigation of illegal diversions of dollar funds from the European Recovery Program for private purposes and feels that the United States is trying to weaken the People's Party position.

Comment: Preliminary findings of the current investigation suggest that full disclosure of the magnitude of illegal dollar diversions may seriously embarrass and further weaken the People's Party in the coalition government.

8. Trieste issue jeopardizes Italian government position in elections:

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In view of the elections in southern Italy on 25 May, the British and the American Embassies in Rome are disturbed by the lack of progress at the London tripartite talks on the administration of Zone A of Trieste.

The US Embassy points out that the Italian Government's policy has weakened its domestic popularity at a critical time. By exploiting the issue of nationalism, "to the extreme limit of irresponsibility," the neo-Fascists and other extreme rightist groups, which substantially supported the Christian Democrats in 1948, have grown so much in the past year that the electoral margin of the political center over the left is seriously reduced.

The Embassy observes that a reverse for the middle-of-the-road groups in the elections could start a chain of political developments seriously blocking American objectives in this area.

Comment: Neo-Fascist and other nationalist elements are successfully exploiting the Trieste issue to prove that Italy's alliance with the Atlantic Pact powers is unprofitable. The neo-Fascist movement seems to be increasing its electoral potential and, even more considerably, its political influence, first manifest in the 1951 elections.

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9. Belgium and Netherlands threaten not to sign Defense Community treaty:

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The Belgian Ambassador in Washington notified the Department of State on 30 April of his government's "misgivings" about initialing the European Defense Community treaty unless all member countries adopt a uniform twenty-four month military service period. He added that the Belgian delegate to the Community conference has already been instructed to state that Belgium cannot sign the treaty unless this condition is met. He proposed that the Community adopt the twenty-four month figure now but leave the Community Council free to modify it later.

On the same day the Dutch EDC delegate stated that he could not even initial the articles of the treaty already agreed upon unless his government knew how Germany's financial contribution for the first year was to be divided.

Comment: A reduction of the Belgian term of military service to eighteen months - equal to that of France and Italy - would force Belgium to cut its commitment of forces to NATO. There is little chance that France and Italy would increase the levels of their military service to meet the Belgian demand.

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